



California Public Employees' Retirement System
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FACT SHEET: DIVESTMENT

California Public Divest From Iran Act

TIMELINE FOR IMPLEMENTATION

CalPERS takes seriously its obligations under the Iran Act and remains committed to devoting significant time and attention to ensuring the provisions of the Act are fully implemented. Since the Iran Divest Act became law, CalPERS has worked with outside researchers, consultants and legal counsel to ensure compliance, following the rule and the spirit of the Act while adhering to CalPERS fiduciary duty to manage our investment assets in the sole interest of our members.

- **Winter 2007:** CalPERS hires an independent research firm to assist in identifying companies that meet the identification criteria of Iran Act.
- **January 1, 2008:** Act takes effect.
- **August 2008:** 47 companies with a \$2 billion market value identified as doing business in Iran.
- **August-December 2008:** Outreach to 47 companies through letters, emails and telephone calls, urging them to take “substantial action” in Iran.
- **December 2008:** CalPERS legislative report identifies 37 companies with a \$1.4 billion market **September** value as having business in Iran; 10 companies no longer subject to Act.
- **February 2009:** Based on a fiduciary analysis, CalPERS Board concludes that divestment would do greater harm to the Fund and conflict with the constitutional mandate of fiduciary duty. Trading costs estimated up to \$191 million along with material additional portfolio risk.
 - Seven more companies are identified and notified they are subject to divestment provisions in the California Iran Act.
 - CalPERS Board adopts a new on the topic of divestment. The policy specifies criteria under which divestment will be undertaken, and says, in part:

“CalPERS investment in a company does not necessarily signify that it approves of the company’s policies, products, or actions. CalPERS, nevertheless, wants

companies in which it invests to meet high corporate governance, ethical, and social standards of conduct. The Committee believes that this generally will promote superior long-term investment performance. CalPERS has a distinguished history of constructively engaging companies that fail to meet CalPERS standards of conduct. CalPERS prefers constructive engagement to divesting as a means of affecting the conduct of entities in which it invests.”

- **February – December 2009:** Engagement and identification efforts continue.
- **December 2009:** CalPERS legislative report lists 23 companies held in CalPERS portfolio that have business operations in Iran, a 50-percent reduction from the original 47 companies identified in mid-2008.
 - Fiduciary analysis shows divesting from companies subject to the Iran Act would have a material financial impact from trading costs and additional portfolio risk. These conditions conflict with CalPERS fiduciary duty.
 - Projected transaction costs range from a high of \$23.32 million to a low of \$5.83 million.
- **Spring 2010:** CalPERS staff meets with Royal Dutch Shell, France’s Total SA and Russia’s Lukoil and raises issues concerning Iran. Engagement and identification efforts continue.
- **Summer, Fall 2010:** The United States, United Nations, European Union, Japan and South Korea issue tough new economic sanctions against Iran.
- **November 2010:** CalPERS investment staff meets with Russian oil company Gazprom in New York and directly discusses the company’s Iran business. Engagement and identification efforts continue.
- **December 2010:** CalPERS legislative report states that a number of multinational companies, including Royal Dutch Shell, Total SA, Norway’s Statoil ASA, Brazil’s Petrobras and Italy’s Eni Spa, have announced they are curtailing business activities in Iran.
 - Value of CalPERS holdings in seven companies doing business in Iran drops to \$300 million.
- **February 2011:** Review of all information related to identification, engagement and company action reflects 5 companies still subject to Iran Act divestment provisions.
- **May 2011:** CalPERS Board decides to divest from remaining companies doing business in Iran. This action can only be taken as the fiduciary analysis shows there will be no impact on portfolio risk and minimal trading costs, which will be offset by modifying compliance activities. CalPERS will continue to identify, monitor and rigorously engage companies in its portfolio and review their status under the California Divest From Iran Act.